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DETERMINATION OF EARNINGS MANAGEMENT WITH FREE CASH FLOW AS A MODERATING VARIABLE IN GOODS CONSUMER COMPANIES IN INDONESIA STOCK EXCHANGE

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Abstract*:*
This study aims to (1) Test and analyze the influence of CsR, CR, NPM, ROA, DER, DAR, *Institutional Ownership and Independent Board of Commissioners partially on Earnings Management at Consumer Goods. (2) to find out whether Free Cash Flow can moderate the effect of financial performance* (CsR, CR, NPM, ROA, DER, DAR) *and Good Corporate Governance (Institutional Ownership and Independent Board of Commissioners) to Earnings Management in Consumer Good s . The company is listed on the Indonesia Stock Exchange in 2013-2016 as many as 37 companies. The method of the sample was conducted by the survey that has complete data during the observation period. From the observations, companies can be used as a sample of 32 companies. The source of data comes from the official website of the Indonesia Stock Exchange that is www.idx.co.id. Analytical methods used are multiple linear regression analysis and residual tests . The results of this study indicate that (1) Partially indicating that : (a) Variables of* CR, DER, DAR *and institutional ownership have no significant effect on Earnings Management in Consumer Goods company. (b) Variable* CsR, ROA *and independent board of commissioners have a positive and significant influence on Earnings Management in Consumer Goods company. (c) Variable* NPM *has a negative and significant effect on Earnings Management in Consumer Goods company. (2) Free Cash Flow not moderate the effect of financial performance* (CsR, CR, NPM, ROA, DER, DAR) *and Good Corporate Governance (Institutional Ownership and Independent Board of Commissioners) to Earnings Management in Consumer Good s .*

Keywords : *Financial Ratio , Good Corporate Governance , Free Cash Flow and Earnings Management*

1. Introduction

Earnings information is the main concern of investors and creditors in assessing management performance or performance. Management performance often seen from profit information contained in financial statements is often the target of engineering through opportunistic actions of management to maximize its interests. Management behavior in managing company profits in accordance with their wishes is called management earnings or *earnings management* (Scot T, 2003) . One of the triggers for the emergence of earnings management practices in companies is that *agency problems* create *conflict of interest* between managers and shareholders (Jensen and Meckling, 1976) . The manager who acts as the manager of the company is responsible for optimizing shareholder profits, but on the other hand the manager is trying to prioritize his personal interests first. This manager's action is a reflection of the manager's opportunist behavior. Apart from *agency problems* , the opportunity for the emergence of *earnings management* practices in companies is due to managers have flexibility in choosing a method accrual based accounting. The manager intentionally will choose the method of accounting for certain interests such as maximizing *utility* and market value of the company for get a bigger bonus.

Earnings management actions are not always associated with attempts to manipulate accounting data or information, but rather tend to be associated with the selection of accounting methods to regulate the benefits that can be made. The phenomenon of the practice of earnings management becomes interesting to study because it can provide an overview of opportunist behavior of managers and because of certain motivations that encourage managers to regulate reported financial data. At present, the case of earnings management is still an interesting topic to study, especially in the field of accounting, although there are enough researchers who have conducted research on earnings management. This can be seen from the results of research conducted by Leuz *et al.* (2003) who found that Indonesia was in a cluster of countries with weak investor protection, so that management practices were still quite high.

Free cash flow is an important determinant in determining company value, so that company managers are more focused on efforts to increase *free cash flow* (Sawir, 2004: 94). The results of previous studies revealed that companies that have high free cash flow tend to practice earnings management by increasing profits to cover managers' actions that are not optimal in utilizing company wealth. Research conducted by Kangarluei *et al.* (2011) concluded that free cash flow can motivate earnings management actions and significant relationships occur in companies that have high free cash flow. Furthermore Chung *et al* . (2005) explain that companies with high *free cash flow* will have a greater opportunity to conduct *earnings management* , because companies are indicated to face greater agency problems.

Liquidity ratio is a ratio that shows the company's ability to fulfill its obligations. Liquidity is the ability of a company to change certain current assets such as accounts receivable and inventory into cash. If the level of turnover of accounts receivable and inventory is high, the company's cash money will increase, because the company's performance in terms of sales runs effectively and will generate profits for the company. Conversely, if the level of turnover of accounts receivable and inventory is low, the company will experience a decrease in cash money from its operations and will make a loan of funds. Companies that have a low liquidity ratio will motivate management to practice *earnings management* . This is done to cover the inability of the company to generate cash from its operational activities.

Profitability ratio is a ratio that shows the company's ability to generate profits that are embedded in the assets and capital of the company. In general, investors will choose companies that have high profitability as a place to invest. This is based on the principle that the better the ability of a company to create profits, the smaller the risk of investment that investors hold. Seeing this phenomenon, management will try to show good performance in the public eye in various ways, one of which is earnings management. A company with a low Profitability would urge management *earnings management* practice. This arises because the tendency of the various parties making profit as the center of attention and becoming profit as a measure of the success of management managing the company.

Companies with a high level of leverage are thought to be likely to take earnings management actions because the company is threatened with default, ie the company is unable to fulfill its debt payments on time, so companies tend to violate debt agreements (Widyaningdyah, 2001). According to Ma'ruf (2006), the higher the value of *leverage* , the higher the risk that investors will face and investors will ask for greater profits. Therefore, the greater the *leverage* then the possibility of managers to manage earnings will be even greater.

Application of *Good Corporate governance* consistently within a company will be able to inhibit the occurrence of earnings management actions. The presence of institutional ownership in the company is believed to have the ability to controlling the management through an effective monitoring process reduce management actions to do earnings management. The percentage of certain shares owned by the institution can affect the process of preparing financial statements that do not rule out the possibility of accrualization according to the interests of the management (Boediono, 2005: 175). The composition of the independent board of commissioners m e through its role in the supervisory function, can affect management in preparing financial statements so that a quality earnings report can be obtained (Boediono, 2005). The more the number of independent commissioners in the company, the supervision of financial statements will be more stringent and objective, so that fraud committed by managers to manipulate profits can be minimized and earnings management can be avoided.

The formulation of the problem from this study is as follows:

1. Does Cash Ratio affect the Earnings Management in the Consumer Goods company?
2. Does Current Ratio affect the Earnings Management in the Consumer Goods company?
3. Does the Net Profit Margin affect the Earnings Management in the Consumer Goods company?
4. Does Return On Asset affect Earnings Management in the Consumer Goods company?
5. Does the Debt to Equity Ratio affect the Earnings Management in the Consumer Goods company?
6. Does Debt to Asset Ratio affect the Earnings Management in the Consumer Goods company?
7. Does Institutional Ownership affect the Earnings Management in the Consumer Goods company?
8. Does the Independent Board of Commissioners influence the Earnings Management in the Consumer Goods company?
9. Can Free Cash Flow moderate the influence of financial performance (Cash Ratio, Current Ratio, Net Profit Margin, Return on Assets, Debt to Equity Ratio, Debt to Asset Ratio, and Good Corporate Governance) to Earnings Management of consumer goods companies?

2. Review of Literature and Development of Hypotheses

2.1. *Earnings Management*

Earnings management is a controversial and important area in financial accounting. Profit Management is an act of managers in choosing accounting policies to achieve specific goals and accounting policies in question is the use of *accruals* in preparing financial statements (Scott, 2003: 344). Earnings management is an intentional management effort to manipulate financial statements within the limits permitted by accounting principles in order to provide information that misleads the users of financial statements for the benefit of management.

Earnings management is not always interpreted as an adverse negative effort because earnings management is not always oriented to earnings manipulation. But it is more inclined to be associated with the selection of accounting methods that are deliberately chosen by management for certain purposes within the limits of *General Addopted Accounting Principles (GAAP).* Scott (2003) divides ways of understanding earnings management into two, namely:

1. As opportunistic behavior of managers to maximize their utility in the face of compensation contracts, debt contracts, and *political costs (opportunistic earnings management).*
2. As the perspective of *efficient contracting (efficient earnings management),* where earnings management gives managers a flexibility to protect themselves and the company in anticipating unexpected events for the benefit of the parties involved in the contract. Thus, managers can influence the company's market value through earnings management, for example by making *income smoothing* and profit growth over time.

According to Scott (2003) earnings management patterns can be done in several ways including:

1. Taking a bath

This pattern occurred during reorganization including the appointment of a new *Chief Executive Officer* (CEO) by reporting large amounts of losses. This action is expected to increase profits in the future.

2. *Income minimization*

Income minimization is reducing the amount of profit to be reported. This method is done when the company gets a high level of profitability with the intention of gaining political attention. Policies taken can be in the form of abolition of capital goods and intangible assets, imposition of expedited advertising, research and development.

3. Income maximization

Maximization income is maximizing reported earnings in order to obtain a bigger bonus, *income maximization is* done when profits decline. The tendency of managers to maximize profits can also be done on companies that commit a violation of the debt agreement.

4. Income smoothing

Income smoothing is done by companies by leveling reported earnings so as to reduce fluctuations in profits that are too large because investors generally prefer relatively stable profits.

2.2. *Free Cash Flow*

Free Cash Flow is cash flow that comes from the company's operational activities that can be distributed to shareholders because it is not used for *working capital* or investment in fixed assets. According to Sawir (2004) *Free cash flow* is the actual cash flow that can be distributed to investors after the company has made all the investment and working capital needed to maintain its operational continuity. Pramono (2008) explains that free cash flow is cash that the company can actually provide for its investors after the company can have fixed assets and has enough working capital to support its business activities including maintaining its fixed assets.

Free Cash Flow is often used to see the good and bad performance of a company, with *free high cash flow* the company will have the ability to do business growth, pay debts to creditors and pay dividends to investors. *Free cash flow* provides an overview of the company's capabilities in the future (Uyara and Tuasikal, 2003). *Free cash flow* analysis provides an overview of the company's flexibility in investing in fixed assets and capital expenditures to maintain the company's current operational activities or to improve the effectiveness and efficiency of the company's operations in the future. White *et al* . (2003: 68) revealed that the greater the *free cash flow* available in a company, the healthier the company is because it has cash available for growth and payment of debt. It can also be interpreted that the smaller the FCF value the company has, the more it can be categorized as unhealthy.

2.3. *Cash Ratio*

Cash ratio is a ratio that shows the company's ability to fulfill its smooth obligations with cash available in the company and the effects that can be immediately poured. K as an element of a smooth hart of the most high level of liquidity, and therefore the more money the cash available in the company, the better for the company to meet its short-term needs. The higher the *Cash Ratio* , the more cash available in the company se bigger so the company will not have difficulty in meeting their obligations at maturity temp o. Conversely, if the *Cash Ratio is* too high it will reduce the company's potential to increase the *Rate of Return* .

2.4. *Current Ratio*

Current Ratio *(Current Ratio)* is a ratio to measure a company's ability to pay short-term obligations or debt immediately due upon being billed as a whole (Kashmir, 2009: 217). The greater the comparison of current assets with current debt then the higher the ability company cover short-term liabilities. This ratio is safer if it is above 100%, meaning that current assets will be able to pay its current liabilities without disrupting the company's operations.

2.5. *Net Profit Margin*

Net Profit Margin is a ratio used to show the ability of a company to generate net profits from a certain level of sales. According to Darsono and Ashari (2005: 56), the *net profit margin* describes the amount of net profit obtained by the company on each sale made. This ratio is very important for operations managers because it reflects the sales pricing strategy applied by the company and its ability to control operating expenses. Ratio *Net profit margin* can be said to be good if it is above 5%. The greater it is *Net Profit Margin* means that the company is more efficient in issuing costs in connection with its operational activities so that it will increase investor confidence in investing in the company.

2.6. *Return On Asset*

Return On Asset is a ratio that shows the ability of a company to generate net income from the amount of assets used in the company. According to Hanafi and Halim (2007: 172), ROA is a ratio used to measure a company's ability to generate profits by using the company's total assets after adjusting for the costs of funding the asset. *Return On Asset* is a measure of management effectiveness in managing its investment. The higher the ROA the higher the ability company to make a profit. The higher the profit what the company produces will make investors interested in value stock.

2.7. *Debt to Equity Ratio*

Debt to Equity Ratio is a ratio used to measure the level of debt usage to the total *shareholder's equity* owned by the company. According to Raharjaputra (2009: 201), this ratio is the ratio used to measure the amount of debt or funds from outside the company to its own capital. The higher the ratio, the lower the company's funding provided by shareholders. From the perspective of the ability to pay for long-term obligations, the lower the ratio, the better the company's ability to pay its long-term obligations. The higher the DER shows the composition of the total debt (short and long term) is greater than the total capital itself, so that the impact of the greater burden on the company to external parties (creditors).

2.8. *Debt to Assets Ratio*

Debt to Assets Ratio shows the amount of debt used to finance assets used by the company in order to carry out its operational activities. According to Sawir (2009) the *debt ratio* is a ratio that shows the proportion between liabilities held and all assets owned. The greater the DAR ratio shows the greater the level of dependence of the company on external parties and the greater the cost of debt that must be paid by the company. This will affect the profitability of the company. If the *debt ratio* gets higher, it means that the debt owed by the company is getting bigger. The total debt is getting bigger means the ratio of the company's failure to repay the loan is higher. On the contrary if the *debt ratio* gets smaller then the debt that the company has will also be smaller and this means that the *financial* risk of the company returning the loan is also getting smaller.

2.9. Institutional Ownership

Institutional ownership is the percentage of voting rights held by institutional shareholders such as companies, banks, investment companies and other ownership in a company. Institutional ownership is part of the company's shares owned by institutional investors, such as insurance companies, financial institutions (banks, financial companies, credit), pension funds, investment banking, and other companies related to these categories (Yang *et al* ., 2009) . The higher the level of institutional ownership, the stronger the control of the company. Institutional ownership is a *good corporate governance* mechanism , which functions to monitor and ensure that managers will act best for the interests of *stakeholders* . The percentage of institutional ownership is the percentage of shares held by the institution divided by the total outstanding shares.

2.10. Independent Board of Commissioners

The composition of the independent board of commissioners is a member of the board of commissioners who comes from outside the company's shareholders, who are free from business relations or other relationships that can affect their ability to act independently or act solely in the interests of the company (KNKG, 2006). The independent commissioners, among others, are in charge and responsible for ensuring that the company has an effective business strategy (monitoring the schedule, budget, and effectiveness of the strategy), complying with applicable laws and regulations, and ensuring that *good corporate governance* principles and practices have been obeyed and applied well (Sulistyanto, 2008: 144). In order for *good corporate governance* practices to run effectively within the company, a collaborative relationship between management and the board of commissioners is needed. For this reason, the board of commissioners not only acts as a supervisor of the actions of the directors (management) but also acts as a partner in management in the company's decision-making process. The percentage of independent commissioners is obtained from the number of independent commissioners divided by the total number of board of commissioners.

Conceptual framework

From the results of the theoretical description contained in the previous chapter, the form of the conceptual framework that is in accordance with this study are as follows.

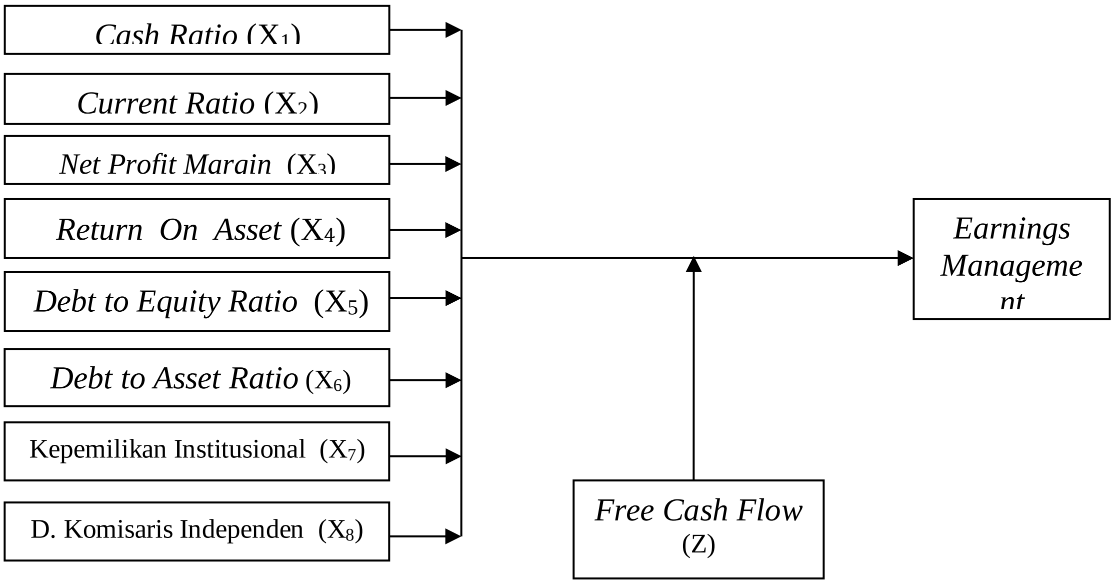

Figure 1.1. conceptual framework

Research Hypothesis

Based on the formulation of the problem and the purpose of the research that has been proposed, the temporary answers (hypotheses) of this study are:

1. Cash Ratio has a negative effect on Earnings Management in consumer goods companies.
2. Current Ratio has a negative effect on Earnings Management in consumer goods companies.
3. The Net Profit Margin ratio has a negative effect on Earnings Management in consumer goods companies.
4. Return On Asset ratio has a negative effect on Earnings Management in consumer goods companies.
5. Debt to Equity Ratio has a positive effect on Earnings Management in consumer goods companies.
6. The ratio of Debt to Asset Ratio has a positive effect on Earnings Management in consumer goods companies.
7. Institutional Ownership has a negative effect on Earnings Management in consumer goods companies.
8. The Independent Board of Commissioners has a negative effect on Earnings Management in consumer goods companies.
9. Free Cash Flow can moderate the influence of financial performance (Cash Ratio, Current Ratio, Net Profit Margin, Return On Assets, Debt to Equity Ratio, Debt to Asset Ratio, and Good Corporate Governance) to Earnings Management on

consumer goods companies.

3. Research Methodology

The type of research used in this study is descriptive research with a quantitative approach. Quantitative Research Method according to Sugiyono (2012: 8) is a research method that is based on the philosophy of positivism, used to examine certain populations or samples, data collection using research instruments, data analysis is quantitative / statistical, with the aim of testing the predetermined hypothesis. The population of this study is consumer goods companies listed on the Indonesia Stock Exchange for the period 2013-2016 with 37 companies. According to Sugiyono (2012: 81) the sample is a portion of the number and characteristics possessed by the population. The sample selection method is carried out by a survey that is choosing a company that has complete data during the observation period. From the results of observations made the number of companies that can be used as a sample of 32 companies with years of observation from 2013-2016.

Table 3 .1 Operational Variable Definition of Research

Variabel	Operational Definition	Indikator	Skala
Earning Management (Y)	An act of managers in choosing accounting policies to achieve certain specific goals and accounting policies in question is the use of *accruals* in preparing financial statements.	DAit = (TAit/Ait-1) – NDAit	Rasio
Free Cash Flow (Z)	Cash flow that is truly available to be distributed to all investors (shareholders and debt owners) after the company puts all its investments in fixed assets, new products, and working capital needed to maintain ongoing operations.	$FCF = \frac{CFO - (NCE + CWC)}{\text{Total Asset}}$	Rasio
Cash Ratio (X_1)	The ratio of cash the company that demonstrates the ability to cover short-term liabilities / her current debts	$CsR = \frac{\text{Total Cash}}{\text{Current Liabilities}}$	Rasio
Current Ratio (X_2)	R ratio is used to measure a company's ability to pay its short-term obligations using its current assets.	$CR = \frac{\text{Current asset}}{\text{Current liabilities}}$	Rasio
Net Profit Margin (X_3)	The ratio used to show the company's ability to generate net profits from a certain level of sales.	$NPM = \frac{\text{Net Income After Tax}}{\text{Sales}}$	Rasio
Return On Asset (X_4)	The ratio is used to measure a company's ability to generate profits by using the total assets owned by the company after adjusting for the costs to fund the asset.	$ROA = \frac{\text{Net Income After Tax}}{\text{Total assets}}$	Rasio
Debt to Equity Ratio (X_5)	The ratio used to measure the level of debt usage to the total *shareholder's equity* owned by the company.	$DER = \frac{\text{Total Debt}}{\text{Total Equity}}$	Rasio

Debt to Asset Ratio (X_6)	R ratio that describes the ability of the total assets of the company in meeting its total obligations.	$DAR = \frac{\text{Total Debt}}{\text{Total Assets}}$	Rasio
Kepemilikan Institusional (X_7)	Percentage of voting rights held by institutional shareholders such as companies, banks, investment companies and other ownership in a company.	$KI = \frac{\text{Number of shares owned by the institution}}{\text{Total outstanding shares}}$	Rasio
Dewan Komisaris Independen (X_8)	Members of the board of commissioners who are from outside the company's shareholders, who are free from business relationships or other relationships that can affect their ability to act independently or act solely in the interests of the company.	$DKI = \frac{\text{Number of independent commissioners}}{\text{Board of Commissioners total}}$	Rasio

4. Research Results

Partial Test Results

The results of the influence of financial performance (CsR, CR, NPM, ROA, DER, DAR) and *Good Corporate*

Governance (KI, DKI) towards *Earning Management* partially can be seen from the results of the following statistical tests :

Table 4 .1 Statistical Test Results t

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	-.134	1,859		-.072	.943
	LnCsR	.263	.102	.321	2,583	.11
	LnCR	-.382	.307	-.187	-1.245	.216
	LnNPM	-.876	.284	-.713	-3,088	.003
	LnROA	.720	.222	.701	3,236	.002
	LnDER	.429	.252	.261	1,702	.92
	LnDAR	-.507	.304	-.182	-1.665	.099
	LnKI	-.350	.421	-.070	-.832	.407
	LnDKI	1,839	.514	.306	3,574	.001

From the results of the t statistical test, the effect of each variable on *earnings management* can be described as follows:

1. Cash Ratio variables have a significance level of 0.011 <0.05. This shows that the CsR variable has a positive and significant influence on Earnings Management practices in the Consumer Goods company.
2. Current Ratio variable has a significance level of 0.216> 0.05. This shows that the CR variable has a negative and insignificant effect on Earnings Management practices in the Consumer Goods company.
3. Net Profit Margin variable has a significance level of 0.003 <0.05. This shows that

the NPM variable has a negative and significant effect on Earnings Management practices in the Consumer Goods company.

4. The variable Return On Asset has a significance level of 0.002 <0.05. This shows that the ROA variable has a positive and significant effect on Earnings Management practices in the Consumer Goods company.
5. The variable Debt to Equity Ratio has a significance level of 0.092> 0.05, which means that the DER variable has a positive and insignificant effect on Earnings Management practices in the Consumer Goods company.
6. Variables Debt to Asset Ratio has a significance level of 0.099> 0.05, which means that the DAR variable has a negative and not significant effect on Earnings Management practices in the Consumer Goods company.
7. Institutional Ownership Variables have a significance level of 0.407> 0.05. This shows that Institutional Ownership variables have a negative and insignificant influence on Earnings Management practices in Consumer Goods companies.
8. The Independent Board of Commissioners variable has a significance level of 0.001 <0.05. This shows that the Independent Board of Commissioners variable has a positive and significant influence on Earnings Management practices in the Consumer Goods company.

Determination Coefficient Test Results

The test results of the coefficient of determination aim to test the ability of independent variables to explain variations in the dependent variable.

Table 4.2 Determination Coefficient Test Results

Model	R	R Square	Adjusted R Square
1	.484 [a]	.234	.175

From the *Adjusted* value *R Square* of 0.175 indicates that the ability of variables (CsR, CR, NPM, ROA, DER, DAR, KI and DKI) is only able to explain *Earning Management* 17.50% and the remaining 82.50% explained other variables not included in the research model.

Test Results Moderating variable

To find out whether *Free Cash Flow* is a moderating variable that can strengthen or weaken the relationship between (CSR, CR, NPM, ROA, DER, DAR, KI and DKI) with *Earning Management* can be known through the following residual test results .

Table 4 .3 Residual Test Results

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.572	.198		2,880	.005
	LnDACC	-.079	.56	-.126	-1.414	.160

From the absolute results of the residual test, an equation model can be formulated as follows:

| e | = 0.572 - 0,079LnDACC + e ....

From the results of the residual test shows that the value of the LnDACC variable parameter coefficient is -0.079 with a significance value of 0.160> 0.05. These results indicate that *Free Cash Flow is* not a moderating variable so it cannot strengthen or weaken the relationship between financial performance (CsR, CR, NPM, ROA, DER, DAR) and *Good Corporate Governance* (KI and DKI) with *Earning Management* in firms that consumer goods.

5. Conclusions and recommendations

Conclusion

1. *Cash Ratio ratio has a positive and significant effect on Earnings Management in consumer goods companies.*
2. *Current Ratio has no significant effect on Earnings Management in consumer goods companies.*
3. *The Net Profit Margin ratio has a negative and significant effect on Earnings Management in consumer goods companies.*
4. *Return on Asset ratio has a positive and significant effect on Earnings Management in consumer goods companies.*
5. *Debt to Equity Ratio has no significant effect on Earnings Management in consumer goods companies.*
6. *The ratio of Debt to Asset Ratio has no significant effect on Earnings Management in consumer goods companies.*
7. *Institutional Ownership has no significant effect on Earnings Management in consumer goods companies.*
8. *The Independent Board of Commissioners has a positive and significant effect on Earnings Management in consumer goods companies.*
9. *Variable Free Cash Flow cannot moderate the influence of financial performance (Cash Ratio, Current Ratio, Net Profit Margin, Return on Assets, Debt to Equity Ratio, Debt to Asset Ratio) and Good Corporate Governance (Institutional Ownership and Independent Board of Commissioners) to Earnings Management in Consumer Goods companies.*

Research Limitations

1. *Cash Ratio, Current Ratio* , *Net Profit Margin* , *Return On Assets* , *Debt to Equity Ratio* , *Debt to Asset Ratio* , Institutional Ownership and Independent Board of Commissioners are only able to explain *Earning Management* of 17.50% and the remaining 82.5 0% is explained by variables others not included in the research model.
2. The *Good Corporate Governance* mechanism used in this study is Institutional Ownership and the Independent Board of Commissioners cannot prevent the practice of *Earning Management* in the Consumer Goods company on the IDX for the 2012-2016 period.

Suggestion

1. The next researcher , it is suggested to add independent variables such as company value, audit quality and information asymmetry that are thought to explain the occurrence of *Earning Management* practices so that the value of the coefficient of determination is greater.
2. The next researcher is advised to use other *Good Corporate Governance* mechanisms such as *top share,* management ownership, audit committees that are expected to minimize the occurrence of earnings management actions in the company.

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